

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1915 - SB 1910**

February 5, 2016

**SUMMARY OF BILL:** Authorizes the Bessie Smith Cultural Center in Hamilton County to sell alcoholic beverages for on-premises consumption.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – \$300/One-Time/ABC Fund  
\$150/Recurring/ABC Fund  
\$4,600/Recurring/General Fund**

**Increase Local Revenue – \$3,400/Recurring/Permissive**

**Assumptions:**

- This bill only applies to the Bessie Smith Cultural Center in Hamilton County.
- There is an initial application fee of \$300 and a \$150 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$150 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate in Hamilton County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY16-17.
- Based on the interquartile average of 2014 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$32,000 per year for similar establishments.
- The recurring increase in state revenue to the General Fund is estimated to be \$4,559  $[(\$32,000 \times 7.0\%) - (\$32,000 \times 7.0\% \times 3.617\%) + (\$32,000 \times 15.0\% \times 50.0\%)]$ .

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- The recurring increase in local revenue is estimated to be \$3,351 [ $\$150 + (\$32,000 \times 2.25\%) + (\$32,000 \times 7.0\% \times 3.617\%) + (\$32,000 \times 15.0\% \times 50.0\%)$ ].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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